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## SOME COSTS OF ILLNESS PROBLEMS\*

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THE studies which have been made by the Committee on Medical Economics, as one of the standing committees authorized in the by-laws of the California Medical Association, have been designed to ascertain:

First, the character and cost of medical services in California, and the ability of our citizens to pay for the same;

Second, what procedures could be instituted to increase the efficiency of professional medical services; what could be done to lower the costs; and how could the various factors that make up the costs of medical care be marked off for the purpose of special investigation.

### THE STUDIES OF THE CALIFORNIA MEDICAL ASSOCIATION COMMITTEE ON MEDICAL ECONOMICS

In order to do these things, the committee has studied:

1. Various systems of socialized health insurance in foreign countries as regards the history, development, type of service and cost to the people.

2. Communistic control of medical activities as it exists in Soviet Russia.

3. Various plans in vogue in America that may be best defined as activities of health departments of national, state, county and municipal scope.

4. Medical service as rendered to employees of large corporations, when the systems were maintained by a system of wage deductions.

5. Various types and costs of medical service as rendered to the members of certain fraternal organizations such as lodges, labor unions, etc.

6. Health insurance policies and the promises contained therein, as sold by the private insurance companies.

7. Medical and surgical treatment and sickness prevention service as well as hospitalization, as

furnished by coöperative nonprofit organizations such as is given at the French and German (now the Franklin) Hospitals of San Francisco.

8. Investigation of certain so-called hospital organizations operated for profit, purporting to furnish medical and surgical service and hospitalization to subscribers.

9. Investigation of the basic costs of living, such as rent, heat, light, food, clothing, etc., as well as wage schedules, unemployment and various other factors that enter into the economic and social life of the citizens of the State of California.

10. Cost to the patient and type of service rendered by physicians and surgeons in private practice.

11. Cost of medical education and costs to a physician of maintaining a private practice.

### THANKS TO THE NATIONAL COMMITTEE ON THE COSTS OF MEDICAL CARE

Your committee has endeavored to keep in touch with numerous agencies interested in this and similar problems and desires to express its sincere appreciation to the National Committee on the Costs of Medical Care for data furnished, and for the sympathetic and helpful attitude shown in the correspondence with that body, as well as that experienced through the personal visit of one of their representatives to the chairman of this committee.

### SOME OUTSTANDING FEATURES OF THESE MEDICAL ECONOMIC PROBLEMS

The following brief outline gives but a faint idea of the magnitude of the effort which is necessary to secure basic and necessary facts from which conclusions can be drawn, and which will make safe foundations for the erection of a system of health insurance that will be practical for the public and profession of our State. This paper must content itself, if it can call attention to a few of the highlights on one or two of the innumerable features of this many-sided problem.

There seem to be two outstanding features of the costs of illness problem that have excited more interest than the others. The first being how to furnish full medical and surgical treatment to the man of moderate means, that is, to the so-called white collar citizen, without leaving him and his family in a state of economic dependency; the other being the development of a system for the prevention of sickness that will lower the rate of disability due to disease and which will prolong the life of the individual.

\* Report of the California Medical Association Committee on Medical Economics. (See also page 447, June 1931, California and Western Medicine.)

\* Read before the fourth general meeting of the California Medical Association at the sixtieth annual session, San Francisco, April 27-30, 1931.

Editor's Note.—This report by Doctor Graves and the papers which immediately follow by Doctors Crosby, Brown, French, Reynolds, Pomeroy, and Kelly, trench on the domain of medical economics. These papers were read at the 1931 California Medical Association annual session at San Francisco and are printed in this September issue as a symposium on the subject of medical economics.

The discussion of the above and several related papers will be found on page 167.

In its studies, your committee has endeavored to keep in mind the fundamental principles of the government under which we live, and has striven to eliminate as undesirable everything which would violate principles that are essential for the preservation of the reasonable rights of our citizens.

Careful investigations of the various systems of state control, which means political control of the problems of the sick, as well as direction of the activities of the medical profession by political powers, convince your committee that the experiences of foreign governments along these lines, while worthy of study, do not furnish a solution of our problems.

Any step in the direction of complete socialization of medicine, leading toward communism, we believe, would be unacceptable to the American people, as well as to the profession. In fact, the attitude of the public and the profession toward further extension of powers of our various governmental health departments, seems to be toward limitation rather than extension.

Your committee sees much to commend in the cooperative nonprofit organizations furnishing medical and surgical care and hospitalization, but the arrangements of such organizations for service with the profession demand extensive revision. The advantages which are supposed to come to physicians through the large amount of clinical material, plus the prestige that a staff appointment is supposed to convey, only too frequently are paid for by physicians through loss of reasonable fees that should be paid by persons amply able to afford such.

The committee unhesitatingly condemns the so-called hospital organizations which are operated for a profit, since such organizations under lay control exploit both the people and the medical profession.

The investigations by your committee of the services rendered to patients in private practice convince us that it is of a much higher and efficient type and rendered at a much lower cost than the public has been led to believe.

#### ILLNESS RATHER THAN MEDICAL CARE IS EXPENSIVE

In our first investigations it appeared that the costs of sickness could be about evenly divided between physicians' and surgeons' fees on the one hand, and all other expenses, as hospitalization, nurses, fees, etc., combined, on the other. However, as the studies progressed, the figures showed that the percentage paid to physicians and surgeons rapidly decreased. Thus the National Committee on the Costs of Medical Care has found in Philadelphia, during the boom year of 1928, that only 26 per cent of the cost of illness was paid to the medical profession.

The physicians in metropolitan centers enjoy larger incomes from their practices than do the rural practitioners; yet the 2247 physicians in Detroit who average 57½ hours per week in their practices received net annual incomes of

\$4448, while 701 dentists in the same city working forty-four hours per week, received net annual incomes of \$5393. So it is easy to see that the question of the high cost of sickness does not mean the high fees charged by physicians and that the title chosen by the national committee is a misnomer and should be changed to read: "The Committee on the High Cost of Sickness."

It is the intention of your California Medical Association Committee on Medical Economics to continue its studies of the various plans for the reduction of the cost of sickness that have been submitted to it by the members of the California Medical Association. The California Medical Association is to be congratulated on having so many members who take such a real interest in these important problems.

In passing we may state that the plan submitted by Dr. Walter B. Coffey to have the California Medical Association furnish to all people of moderate income a full service, including hospitalization, if it could be carried through, would be a bold step toward professional control of all the agencies of the healing art.

#### MANY CITIZENS ARE TOO EXTRAVAGANT

In our investigations, we again and again found examples of unwarranted extravagance on the part of many persons, in sickness as in other things. Many citizens frequently insist on expensive service, far beyond their means and wholly unnecessary in the treatment of disease. It is clearly apparent that the physician must make the safeguarding of the patient's financial interests during illness as much a part of his duty as the safeguarding of the patient's physical welfare.

Publicity on this matter of unnecessary costs of illness should be wide and extensive. Even though there is so much unemployment in the nursing profession as at the present time, the committee finds itself nevertheless compelled to urge wide and immediate extension of the group nursing system, whereby frequently one nurse may efficiently care for two patients, instead of two nurses caring for one patient. Such reduction of nursing expenses would go far in reducing the costs of illness.

#### RECHECK ON MODES OF LIVING DESIRABLE

We Americans, as a people, for a number of years, have been the spoiled darlings of prosperity. We have been on a long debauch of extravagance, and it is high time that we began to recover from the sea of dissipation, such homely virtues as thrift, economy and a deeper understanding of our personal obligations, which during our debauch voyage, we threw overboard.

We should not permit ourselves as a people to become so materially rich and prosperous as to be ashamed of our initial poverty or of the sturdy virtues necessarily acquired during that period, and which have had so much to do in bringing about whatever real greatness we may possess.

### EACH COMMUNITY HAS ITS OWN SPECIAL PROBLEMS

We believe that medical service conditions vary so much in different communities that many of these problems are local in character. Therefore no one plan would be applicable to every community. Hence we urge, as various plans are evolved and completed, that they be carefully tried out in rather small communities, urban and rural, which will serve as experimental laboratories in which the social, economic and scientific experiments can be made.

### CALIFORNIA MEDICAL ASSOCIATION MUST PROPERLY FINANCE THESE STUDIES

In conclusion: This committee realizing, as it does, the necessity of a study group composed of members of the medical profession in every community of the State of California, wishes to state that with our limited facilities, purely voluntary efforts will be wholly inadequate to prosecute these highly necessary works and studies to a successful conclusion. As none of the members of this committee are candidates for the job we urge that adequate funds be furnished by the California Medical Association to carry on these studies under efficient supervision and in proper fashion.

With sufficient funds and able leadership, the medical profession, with its greater and more intimate knowledge and experience of these problems, should then be able to occupy that commanding position which is so necessary for the protection of the public interest and the advancement of our professional standards.

### SOME ECONOMIC ASPECTS OF MODERN MEDICINE\*

By DANIEL CROSBY, M.D.  
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IT would indeed be an act ungracious and unappreciative were the speaker to fail to acknowledge with expressions of gratitude the invitation of the Committee on Medical Economics of the California Medical Association to present a paper for consideration before this general session. Whatever effort he has made properly to prepare for the ordeal must be interpreted as the effort of a man somewhat seasoned in the practice of medicine, to evaluate some of the problems as he sees them and to give expression to his impressions and conclusions, based upon a somewhat extensive investigation and an almost endless perusal of documents.

### FINDINGS OF THE NATIONAL COMMITTEE ON MEDICAL COSTS

The publications of the National Committee on Medical Costs have been most illuminating and have placed before us the following facts:

1. The cost of being sick is increasing, and is crippling, financially, to the moderate wage earner; and this condition is explained by the

increased cost of hospital erection and maintenance, and the increased scope and expense of clinical investigation.

2. Physicians' and surgeons' fees are only twenty-six to thirty per cent of the whole cost of illness.

3. Forty per cent of all doctors' bills are uncollectible.

4. There is inadequate medical service in all sparsely settled districts.

5. Certain philanthropic organizations are maintaining clinic and hospital service for those of moderate means, as evidenced by the Cornell Clinic and the Baker Memorial Hospital.

In passing, may I emphasize:

(A) The total medical and (or) surgical fee which may be charged for any service at the Baker Memorial Hospital is \$150.

(B) The total obstetrical charge, including hospital and nursing service and obstetrician's fee must not exceed \$100. The obstetrical service is maintained by the Massachusetts General Hospital.

(C) The Julius Rosenwald Fund has underwritten one-half of the Baker Memorial deficit to the amount of \$150,000, with the stipulation that not more than \$75,000 shall be paid within any one year.

6. Certain corporations are maintaining for their employees medical and social service activities, enterprises much to the benefit of the wage earner. We have some interesting examples of this in California.

These are some of the basic facts of costs of being sick and of measures for lessening the burden.

### RECENT LAY LITERATURE ON MEDICAL COSTS

The reading public is being regaled with magazine and newspaper articles by the score, many times multiplied, showing how exorbitant are medical fees and how destructive is the cost of medical care, and these articles are emphasizing statements that:

1. The medical profession is doing nothing about it.

2. The medical profession is selfishly inactive in modification of the situation.

3. The public must take a hand to correct the "injustice."

Professional philanthropists, altruists and up-lifters are pointing at hospitals and accusing them of being in the paradoxical position of posing as Good Samaritans and packing a big stick. The Baker Memorial deficit program is an eloquent answer to the "big stick" premise.

In California one of our leading publicists is pointing to the State Insurance Program in Europe with commendation, telling us and his public that it is not possible that Europe is wrong and we are right. He would have the evidence of acceptance by many countries outbalance the adverse conclusions of Canada and the United States, perhaps not upon the theory that majorities are necessarily correct, but that since so many in Europe are suffering under this incubus, we

\* Read before the fourth general meeting at the sixtieth annual session of the California Medical Association, San Francisco, April 27-30, 1931.